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SUBJECT: 2008 PARLIAMENTARY ELECTION CAMPAIGN FINANCING

¶1. Summary: Pursuant to campaign funding disclosure requirements, all four parties that crossed the 5 percent election threshold in the May 21 parliamentary elections have submitted campaign funding reports to the Central Election Commission (CEC). An audit group contracted by the CEC studied the reports and approved them as adequate. The United National Movement (UNM), which received 59.18 percent of votes in the election of proportionally distributed seats in Parliament, reported spending GEL 12 million (USD 8.33 million). The United Opposition (17.73 percent of votes) spent GEL 481,800 (USD 334,583). Christian Democrats (8.66 percent) spent GEL 241,500 (USD 167,708), and the Labor Party, GEL 284,000 (USD 197,222). The reports do not include spending by individual candidates for majoritarian seats in Parliament, thus revealing only a portion of the overall campaign financing picture. End Summary.

Election Fund and Mandatory Disclosure Requirement

¶2. The Election Code of Georgia mandates disclosure of funds spent by parties and election blocs, and that the CEC develop additional procedural requirements. Information concerning campaign contributions is required to be reported to the CEC and made publicly available. The law requires political parties to set up an election fund and provide an accounting for it. They must also report all goods and services obtained free of charge (at estimated market prices). Free air time received from television and radio is exempted from the rule. Majoritarian candidates, special interest groups established by parties and special interest groups for election of local self-government bodies report voluntarily. Individual campaign contributions are limited to GEL 30,000 (USD 20,833) for individuals and GEL 100,000 (USD 69,444) for corporations. Election subjects may not use any funds other than their election campaign funds. Foreign contributions from citizens or legal entities from foreign countries, persons with no citizenship, international organizations and movements, non-entrepreneurial legal entities, religious organizations and Georgian companies in which the state owns a share are prohibited.

¶3. No later than one month after the publication of election results, parties and election blocs must submit to the CEC a report on expenditures, together with an audit report by and independent auditor, stating the sources of the campaign funds and accounting for expenditures. Parties and election blocs, who according to preliminary data received the necessary number of votes, must report not later than eight days after Election Day.

National Movement

¶4. The United National Movement (UNM), as the ruling party, was able to conduct a more lavish campaign than other

parties, and did not suffer from lack of donors. The UNM reported spending GEL 12 million (USD 8.33 million). After the presidential election, the UNM was the only party that disclosed any companies openly supporting its campaign. 52 companies contributed, including Aldagi BCI (an insurance company), Galt & Taggart, Bank of Georgia, Center Point (construction), Aword Capital (construction), Teliani (wine producer), and Georgian Mint. The UNM contributed GEL 9.5 million (USD 6.60 million) from its party funds, 80 percent of their total cash spending for the election. The UNM spent only half as much on the parliamentary election as it did on the presidential campaign in January, suggesting that either the party was confident of victory or that it could not afford higher spending. There is also a widespread suspicion among the population, the print media, and the opposition that the UNM's actual spending was much higher than reported, and that access to administrative resources gave the ruling party significant advantage over its rivals. Presentations of new governmental programs, especially those with social and economic benefits, were timed to coincide with the elections and added the polling results of the ruling party.

15. GEL 386,000 (USD 268,055) or 3.2 percent of the UNM's spending went to salaries for campaign activists. GEL 1.1 million (USD 763,889) or 9 percent was spent on public opinion surveys. The rest was used for purchase of goods and services, which includes production of commercials, organization of meetings, TV and radio advertisements, and production of printed materials.

Christian Democratic Movement

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16. The Christian Democratic Movement reported donations in the amount of GEL 241,570 (USD 167,708). Corporate donations were not reported; 13 individual donors filled the purse of the newly created political party. Individual donations ranged in size from GEL 335 (USD 232.64) to the maximum GEL 30,000 (USD 20,833). Top contributors were from the party leadership. However, no contribution was disclosed from party leader Giorgi Targamadze.

17. As for spending, 66 percent, or GEL 159 thousand (USD 110,416), was paid for goods and services, mostly fuel, as well as purchase of cell phone cards. Campaign commercials consumed over GEL 26,000 (USD 18,055) or 11 percent, billboard and newspaper advertisements cost GEL 11,000 (USD 7,639), and production of campaign materials such as posters, leaflets and brochures took another GEL 38,450 (USD 26,701) or 16 percent. TV advertising time purchased by the party accounted for GEL 19,000 (USD 13,194). No spending is reported for public opinion polls, election-related surveys or campaign advisors.

United Opposition

18. The United Opposition built up GEL 481,800 (USD 334,583) in its election fund. As was the case with other opposition parties, all 24 of its donors were private individuals. Prominent members of the opposition coalition such as David Gamkrelidze, David Saganelidze, Mamuka Katsitadze, Paata Davitaia, Pikria Chikhradze and Irakli Iashvili, who were running for the parliamentary seats, contributed from GEL 20,000 (USD 13,889) up to the allowed maximum of GEL 30,000 (USD 20,833). However, the list does not include Levan Gachechiladze or Goga Khaindrava, two wealthy and prominent opposition leaders.

19. The United Opposition's expenditures included printed materials (25 percent of total spending). 12 percent was spent on ads and commercials; three percent was used for billboards and newspaper space, and 19 percent on

organization of public events and meetings. Though the United Opposition claimed to have a full-scale picture of public opinion and party ratings during the election campaign period, in fact it spent no more than GEL 510 (USD 354), or 0.1 percent of its available funds, for canvassing public opinion. Spending patterns disclosed another interesting fact: the United Opposition relied on the free time provided by the leading channels and did not spend its party funds to buy time on the air on the three nationwide channels. It did spend GEL 54,525 (USD 37,864) to put commercials on regional TV channels and Tbilisi's local Kavkasia TV, the latter accounting for 60 percent of the United Opposition's spending for television. They reported no spending on campaign activists. Most likely the bloc relied entirely on volunteers.

¶10. Compared to the presidential elections, the United Opposition's campaign spending decreased by 33 percent. Composition of the election bloc has changed. It does not include the Republican Party now, but includes the New Rightists who brought with them bigger campaign coffers. During the presidential election campaign earlier this year, "Gachechiladze's Society", donated 13 percent of the United Opposition's total cash contributions. It is unknown whether or not this group still operates as they reported no donations for this election.

Labor Party

¶11. Eighteen individual persons, most of them party leaders, contributed GEL 283,962 (USD 197,196) to Shalva Natelashvili's Labor Party. However, as usual, none of the contributions came from Shalva Natelashvili's own pocket. Almost all of Labor's money, 98 percent, was used for printing materials, campaign activists were paid GEL 300 (USD 208). The party helped to construct a church at Kharagauli by contributing GEL 500 (USD 347) from its campaign fund. Apparently, Natelashvili was more persuasive with potential donors this time, because Labor's funding for the parliamentary election increased eight-fold compared to the presidential elections.

Price Per Vote

¶12. On a per capita basis, the ruling UNM paid the highest price to attract voters: GEL 11.5 per voter (still much less than the GEL 21.68 (USD 15.05) per voter the UNM spent in the presidential election). Next was Shalva

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Natelashvili's Labor Party, which traditionally claims the title of Georgia's poorest party. It paid GEL 2.15 (USD 1.49) or 7.7 times more than during the presidential election. The United Opposition and Christian Democrats spent only GEL 1.52 (USD 1.05) and GEL 1.56 (USD 1.08) per voter, respectively.

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